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**ANNUAL REPORT**  
**Nikko AM Hong Kong Exchange Traded Funds Series**

Financial year ended 30 June 2024

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An abstract graphic consisting of numerous overlapping, concentric circles and curved lines in a light teal color. The circles are centered at various points, creating a complex, layered pattern that resembles a stylized globe or a series of orbits. The lines are thin and delicate, creating a sense of depth and movement.

**NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES**

(An umbrella unit trust established in Hong Kong)

**NIKKO AM GLOBAL INTERNET ETF**

***AND***

**NIKKOAM METAVERSE THEME ACTIVE ETF**

*(the sub-funds of Nikko AM Hong Kong Exchange Traded Fund Series)*

**REPORT AND FINANCIAL STATEMENTS**

*For the financial year ended 30 June 2024*

## **NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES**

(An umbrella unit trust established in Hong Kong)

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## **NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES**

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### **Directory**

#### **DIRECTORS OF THE MANAGER**

Yasuaki Ogiwara (resigned with effect from 1 October 2024)

Eleanor Seet On Hui

Kiyotaka Ryu

#### **MANAGER**

Nikko Asset Management Hong Kong Limited

24/F, Man Yee Building,

60-68 Des Voeux Road Central,

Hong Kong

#### **SUB-MANAGER**

Nikko Asset Management Asia Limited

12 Marina View, #18-02 Asia Square Tower 2,

Singapore 018961

#### **TRUSTEE**

BNP Paribas, acting through its Hong Kong Branch

Registered address:

60-63/F Two International Finance Centre,

8 Finance Street,

Central, Hong Kong

Correspondence address:

21/F, PCCW Tower,

Taikoo Place, 979 King's Road,

Quarry Bay, Hong Kong

#### **REGISTRAR**

BNP Paribas, acting through its Hong Kong Branch

Registered address:

60-63/F Two International Finance Centre

8 Finance Street

Central, Hong Kong

Correspondence address:

21/F, PCCW Tower,

Taikoo Place, 979 King's Road,

Quarry Bay, Hong Kong

#### **FUND ACCOUNTANT AND GLOBAL CUSTODIAN**

BNP Paribas, acting through its Singapore Branch

20 Collyer Quay, #01-01,

Singapore 049319

#### **LISTING AGENT**

Altus Capital Limited

21 Wing Wo Street,

Central, Hong Kong

#### **SERVICE AGENT**

HK Conversion Agency Services Limited

10/F, One International Finance Centre,

1 Harbour View Street, Central,

Hong Kong

**NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES**  
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**Directory** (continued)

**AUDITOR**

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
22/F, Prince's Building,  
10 Chater Road, Central,  
Hong Kong

**LEGAL COUNSEL TO THE MANAGER**

Simmons & Simmons  
30<sup>th</sup> Floor, One Taikoo Place,  
979 King's Road, Quarry Bay,  
Hong Kong

This report is also available on our website ([www.nikkoam.com.hk](http://www.nikkoam.com.hk))

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

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### REPORT OF THE MANAGER

#### NIKKO AM GLOBAL INTERNET ETF

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	Since Inception
Nikko AM Global Internet ETF <sup>3</sup>	9.27	20.11	35.13	-6.89	-	12.75
Benchmark <sup>1</sup>	9.45	20.57	36.13	-6.08	-	13.82

#### CALENDAR YEAR PERFORMANCE SUMMARY

Returns (%)	2019 <sup>2</sup>	2020	2021	2022	2023	2024 (YTD)
Nikko AM Global Internet ETF <sup>3</sup>	12.51	75.00	-4.64	-45.23	42.11	20.11
Benchmark <sup>1</sup>	12.74	76.98	-3.75	-44.75	43.38	20.57

Source: Nikko Asset Management Asia Limited and SGX as of 30 June 2024.

Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

#### Note:

- (1) The Benchmark/Underlying Index for the ETF is iEdge-Factset Global Internet Index Net Total Return.
- (2) Calendar Year 2019 performance returns since listing date on 24 October 2019.
- (3) Fund and benchmark performance returns are calculated as of the last NAV date of the Sub-Fund for the reporting period.

**Listing date: 24 October 2019**

#### About Nikko AM Global Internet ETF

The Nikko AM Global Internet ETF is a sub-fund of the Nikko AM Hong Kong Exchange Traded Funds Series (the "Trust"), which is an umbrella unit trust created by the trust deed between the Nikko Asset Management Hong Kong Limited as manager and BNP Paribas Trust Services (Hong Kong) Limited (as previous trustee) made under Hong Kong law, as amended and/or supplemented from time to time, including by a Deed of Retirement and Appointment of Trustee, pursuant to which BNP Paribas Securities Services, acting through its Hong Kong Branch (as the previous trustee) was formerly appointed as trustee of the Trust in place of BNP Paribas Trust Services (Hong Kong) Limited with effect from 30 August 2021, and subsequently by a Supplemental Deed, pursuant to which BNP Paribas, acting through its Hong Kong Branch (the "Trustee") was appointed as trustee of the Trust in place of BNP Paribas Securities Services, acting through its Hong Kong Branch with effect from 1 October 2022.

The Trust and the Nikko AM Global Internet ETF is authorised as a collective investment scheme by the Hong Kong Securities and Futures Commission ("SFC") under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and falls within Chapter 8.6 of the Code on Unit Trusts and Mutual Funds issued by the SFC. The units of the Nikko AM Global Internet ETF are listed on the Stock Exchange of Hong Kong ("SEHK"). The units of Nikko AM Global Internet ETF have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("HKSCC") for deposit, clearing and settlement in the Central Clearing and Settlement System ("CCASS").

The Nikko AM Global Internet ETF's investment objective is to seek to provide investment results that, before fees and expenses, closely correspond to the performance of the iEdge-Factset Global Internet Index (the "Index"). There is no assurance that the Nikko AM Global Internet ETF will achieve its investment objective.

In order to achieve the investment objective, the Nikko AM Global Internet ETF intends to primarily adopt a full replication strategy through investing directly in stocks included in the Index in substantially the same weightings as these stocks have in the Index.

The Index aims to track the performance of developed market securities in the internet technologies segments. Stocks captured within the Index include companies primarily in internet and data services, general internet and online services, internet support services, financial software and services, virtual reality and engineering software and online retail business segments. The Index has a basket size of 30 stocks and is free float market capitalisation weighted with a 10% stock cap on each individual Index constituent.

**Note: Investors are advised to refer to the Nikko AM Global Internet ETF's prospectus for more details on the Nikko AM Global Internet ETF.**

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

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### REPORT OF THE MANAGER (continued)

#### NIKKOAM METAVERSE THEME ACTIVE ETF

Returns (%)	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	Since Inception
NikkoAM Metaverse Theme Active ETF <sup>1,3</sup>	9.32	16.86	17.49	-3.36	-	5.88

#### CALENDAR YEAR PERFORMANCE SUMMARY

Returns (%)	2020 <sup>2</sup>	2021	2022	2023	2024 (YTD)
NikkoAM Metaverse Theme Active ETF <sup>1,3</sup>	35.90	0.29	-36.95	25.42	16.86

Source: Nikko Asset Management Asia Limited as of 30 June 2024.

Returns are calculated on a NAV-NAV basis, USD, and based on the assumption that all dividends and distributions are reinvested, if any. Returns for period in excess of 1 year are annualised. Past performance is not indicative of future performance.

#### Note:

- (1) The NikkoAM Metaverse Theme Active ETF does not seek to track any index or benchmark. **Prior to 8 September 2022, the ETF was known as "NikkoAM E-Games Active ETF"**.
- (2) Calendar Year 2020 performance returns since listing date on 16 June 2020.
- (3) Fund and performance returns are calculated as of the last NAV date of the Sub-Fund for the reporting period.

**Listing date: 16 June 2020**

#### About NikkoAM Metaverse Theme Active ETF<sup>1</sup>

The NikkoAM Metaverse Theme Active ETF is a sub-fund of the Nikko AM Hong Kong Exchange Traded Funds Series (the "Trust"), which is an umbrella unit trust created by the trust deed between the Nikko Asset Management Hong Kong Limited as manager and BNP Paribas Trust Services (Hong Kong) Limited (as previous trustee) made under Hong Kong law, as amended and/or supplemented from time to time, including by a Deed of Retirement and Appointment of Trustee, pursuant to which BNP Paribas Securities Services, acting through its Hong Kong Branch (as the previous trustee) was formerly appointed as trustee of the Trust in place of BNP Paribas Trust Services (Hong Kong) Limited with effect from 30 August 2021, and subsequently by a Supplemental Deed, pursuant to which BNP Paribas, acting through its Hong Kong Branch (the "Trustee") was appointed as trustee of the Trust in place of BNP Paribas Securities Services, acting through its Hong Kong Branch with effect from 1 October 2022. The Trust and the NikkoAM Metaverse Theme Active ETF is authorised as a collective investment scheme by the Hong Kong Securities and Futures Commission ("SFC") under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and falls within Chapter 8.10 of the Code on Unit Trusts and Mutual Funds issued by the SFC. The units of the NikkoAM Metaverse Theme Active ETF are listed on the Stock Exchange of Hong Kong ("SEHK"). The units of NikkoAM Metaverse Theme Active ETF have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("HKSCC") for deposit, clearing and settlement in the Central Clearing and Settlement System ("CCASS").

The NikkoAM Metaverse Theme Active ETF's investment objective is to achieve long term capital growth by primarily investing in companies involved in activities relating to, or that provide products, services, technologies or technological capabilities that contribute to, the development of the Metaverse (collectively, "**Metaverse Business**"). There is no assurance that the Sub-Fund will achieve its investment objective.

The "**Metaverse**" can be described as a persistent virtual, three-dimensional, fully immersive world that allows a substantial number of users to seamlessly interact as they do in the real world. The Metaverse provides for the redefinition of content creation and ownership, facilitate individual creator economies<sup>14</sup>, enhance digital content curation and aggregation, potentially transforming existing business models and economics across various industries. The Metaverse will need to be supported by both physical infrastructure and virtual layers.

The NikkoAM Metaverse Theme Active ETF will invest primarily (i.e. at least 70% of its Net Asset Value ("**NAV**") in equities of companies which are involved in the Metaverse Business. The equities (which may include listed American Depositary Receipts ("**ADRS**") and Global Depositary Receipts ("**GDRS**") in which the Sub-Fund will primarily invest may be listed on any exchange globally. The Sub-Fund will invest up to 85% of its NAV in emerging markets. Exposure to these equities may be obtained by investing in exchange traded funds ("**ETFs**") as a means of transition management if access to such equities is not yet available to the Sub-Fund. Investments in ETFs by the Sub-Fund are considered and treated as listed securities for the purposes of and subject to the requirements in Chapters 7.1, 7.1A and 7.2 of the Code.

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### REPORT OF THE MANAGER (continued)

The NikkoAM Metaverse Theme Active ETF may use financial derivatives instruments for hedging purposes only.

Currently, the Manager has no intention for the NikkoAM Metaverse Theme Active ETF to (i) invest in any financial derivative instruments for non-hedging (i.e. investment) purposes, (ii) invest in structured deposits, asset backed securities, asset backed commercial papers and mortgage backed securities, (iii) enter into securities lending transactions, sale and repurchase or reverse repurchase transactions or other similar over-the-counter transactions, or (iv) enter into securities borrowing transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month's prior notice to unitholders before the NikkoAM Metaverse Theme Active ETF engages in any such investments.

The investment strategy of the NikkoAM Metaverse Theme Active ETF is subject to the investment restrictions set out in Part 1 of this Prospectus.

In addition to the relevant investment restrictions set out in the Code, the NikkoAM Metaverse Theme Active ETF is subject to the following additional restrictions. The NikkoAM Metaverse Theme Active ETF does not currently:

- (i) intend to invest more than 5% of its net asset value in aggregate into collective investment schemes (excluding any collective investment scheme which is listed and traded on any exchange);
- (ii) intend to acquire shares in any single company if, as a result of such acquisition, the total number of shares in such company held by all collective investment schemes which are managed by the Manager would exceed 50% of the total number of all issued and outstanding shares in such company; or
- (iii) intend to engage in short selling.

<sup>14</sup> Web 3.0, which is one of the tools that will aid the development of the Metaverse, will effectively allow individuals to create content (be it a music video, or a podcast or an app, or a digital painting, for example), maintain ownership of and monetise the content into perpetuity (for example being paid each time the digital content is used). This will incentivise content creation, and economies that will spawn from this.

**Note: Investors are advised to refer to the NikkoAM Metaverse Theme Active ETF's prospectus for more details on the NikkoAM Metaverse Theme Active ETF.**



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### REPORT OF THE MANAGER (continued)

This document is for information only with no consideration given to the specific investment objective, financial situation and particular needs of any specific person. Any securities mentioned herein are for reporting or illustration purposes only and should not be construed as a recommendation for investment. You should seek advice from a financial adviser before making any investment. In the event that you choose not to do so, you should consider whether the investment selected is suitable for you. Investments in unit trusts or ETFs are not deposits in, obligations of, or guaranteed or insured by Nikko Asset Management Hong Kong Limited ("Nikko AM Hong Kong").

#### **Past performance or any prediction, projection or forecast is not indicative of future performance.**

Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF (the sub-funds of Nikko AM Hong Kong Exchange Traded Funds Series) may use or invest in financial derivative instruments. The value of units and income from them may fall or rise. Investments in the Sub-Funds are subject to investment risks, including the possible loss of principal amount invested. You should read the relevant prospectus and product key facts sheet obtainable from appointed distributors of Nikko AM Hong Kong before investing.

The information contained herein may not be copied, reproduced or redistributed without the express consent of Nikko AM Hong Kong. While reasonable care has been taken to ensure the accuracy of the information as at the date of publication, Nikko AM Hong Kong does not give any warranty or representation, either express or implied, and expressly disclaims liability for any errors or omissions. Information may be subject to change without notice. Nikko AM Hong Kong accepts no liability for any loss, indirect or consequential damages, arising from any use of or reliance on this document. This report is issued by Nikko AM Hong Kong has not been reviewed by the Securities & Futures Commission of Hong Kong. You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents, you should obtain independent professional advice.

Investment involves risks. Past performance or any prediction, projection or forecast is not indicative of future performance. The value of units and income from them may fall or rise. Investments in the Sub-Funds are subject to investment risks, including the possible loss of principal amount invested. You should not make investment decision on the basis of this material alone. You should read the Prospectus and Key Facts Statement for details including the risk factors and the arrangement in the event that the Sub-Funds are delisted. Investors should also note that the Sub-Funds are different from a typical unit trust and units may only be created or redeemed directly by a participating dealer in large creation or redemption units.

The trading price of the Units on the SEHK is driven by market factors such as the demand and supply of the Units. Therefore, the Units may trade at a substantial premium or discount to the NAV.

The Manager may at its discretion pay distribution to unitholders. There is no guarantee to the payment of distribution or frequency of payment. The Manager may at its discretion pay the dividends out of the capital. Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distribution may result in an immediate reduction in the NAV per Unit of the Sub-Funds.

The Units of the Nikko AM Global Internet ETF are not in any way sponsored, endorsed, sold or promoted by Singapore Exchange Limited and/or its affiliates (collectively, "SGX") and SGX makes no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the iEdge-Factset Global Internet Index (and/or the figure at which the iEdge-Factset Global Internet Index stands at any particular time on any particular day or otherwise. The iEdge-Factset Global Internet Index is sponsored, calculated and administrated by SGX. SGX shall not be liable (whether in negligence or otherwise) to any person for any error in the Nikko AM Global Internet ETF and the iEdge-Factset Global Internet Index and shall not be under any obligation to advise any person of any error therein. "SGX" is a trade mark of SGX and is used by Nikko Asset Management under licence. All intellectual property rights in the iEdge-Factset Global Internet Index vest in SGX.

Nikko Asset Management Hong Kong Limited. Registration Number 30310338-000

## **NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES**

(An umbrella unit trust established in Hong Kong)

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### **REPORT OF THE TRUSTEE TO THE UNITHOLDERS**

We hereby confirm that, in our opinion, the Manager of Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF (collectively the "Sub-Funds"), the Sub-Funds of Nikko AM Hong Kong Exchange Traded Funds Series (the "Trust") has, in all material respects, managed the Sub-Funds in accordance with the provisions of the Trust Deed dated 27 August 2019, as amended and/or supplemented from time to time, for the financial year ended 30 June 2024.

For and on behalf of the Trustee  
BNP Paribas, acting through its Hong Kong Branch  
28 October 2024

## **NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES**

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### **STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE**

#### **Manager's Responsibilities**

The Manager of Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF (collectively the "Sub-Funds"), the sub-funds of Nikko AM Hong Kong Exchange Traded Funds Series, is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "SFC Code") and the Trust Deed dated 27 August 2019, as amended and/or supplemented from time to time (the "Trust Deed") to cause to be made up the financial statements for each annual accounting year which give a true and fair view of the financial position of the Sub-Funds at the end of that year and of the transactions for the year ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and as agreed with the Trustee then apply them consistently;
- make judgements and estimates that are prudent and reasonable; and
- cause to be made up the financial statements on the basis that the Sub-Funds will continue in operation unless it is inappropriate to assume this.

The Manager is also required to manage the Sub-Funds in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

Nikko AM Hong Kong Exchange Traded Funds Series (the "Trust") is an open-ended umbrella unit trust governed by its Trust Deed. As at 30 June 2024, the Trust has established two sub-funds, namely, Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF.

#### **Trustee's Responsibilities**

The Trustee of the Sub-Funds is required to

- ensure that the Sub-Funds, in all material respect, are managed in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Sub-Funds and rights attaching thereto; and
- report to the unitholders for each annual accounting year should the Manager not managing the Sub-Funds in accordance with the Trust Deed.

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE UNITHOLDERS OF NIKKO AM GLOBAL INTERNET ETF AND NIKKOAM METAVERSE THEME ACTIVE ETF (the Sub-Funds of Nikko AM Hong Kong Exchange Traded Funds Series)**

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

###### *What we have audited*

The financial statements of Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF (each a separate sub-fund of Nikko AM Hong Kong Exchange Traded Funds Series and referred as the "Sub-Funds"), which are set out on pages 13 to 40, comprise:

- the statements of financial position as at 30 June 2024;
- the statements of comprehensive income for the year then ended;
- the statements of changes in net assets attributable to unitholders for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

###### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of each of the Sub-Funds as at 30 June 2024, and of each of their financial transactions and each of their cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

##### **Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

###### *Independence*

We are independent of the Sub-Funds in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

##### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT

### TO THE UNITHOLDERS OF NIKKO AM GLOBAL INTERNET ETF AND NIKKOAM METAVERSE THEME ACTIVE ETF (the Sub-Funds of Nikko AM Hong Kong Exchange Traded Funds Series)

#### Report on the Audit of the Financial Statements

#### Key Audit Matters (continued)

Key audit matter identified in our audit is summarised as follows.

##### Key Audit Matter

###### *Existence and valuation of investments*

As at 30 June 2024, the investments of Nikko AM Global Internet ETF mainly comprised listed equities valued at US\$12,354,127, and depository receipts valued at US\$2,924,152.

As at 30 June 2024, the investments of NikkoAM Metaverse Theme Active ETF mainly comprised listed equities valued at US\$17,748,579, and depository receipts valued at US\$2,831,072 respectively.

We focused on the existence and valuation of the investments because the investments represented the principal element of the Sub-Funds' net asset values as at 30 June 2024.

Refer to note 4(a) and 5 to the financial statements.

##### How our audit addressed the Key Audit Matter

1. Our work included an assessment of the key controls over the existence and valuation of the investments, which included the following:
  - We developed an understanding of the control objectives and related controls relevant to our audit of the Sub-Funds' control by obtaining the service organisation internal control reports provided by the trustee setting out the controls in place, and the independent service auditor's assurance report over the design and operating effectiveness of those controls.
  - We evaluated the tests undertaken by the service auditor, the results of the tests undertaken and the opinions formed by the service auditor on the design and operating effectiveness of the controls, to the extent relevant to our audit of the Sub-Funds.
2. We tested the existence of investments by obtaining direct confirmations from the custodians and agreeing the Sub-Funds' holdings of investments to the confirmations.
3. We tested the valuation of the Sub-Funds' investments by comparing the pricing used by the Sub-Funds to external pricing sources as at 30 June 2024.

Based on the procedures we performed, we found no material exceptions from our testing.

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE UNITHOLDERS OF NIKKO AM GLOBAL INTERNET ETF AND NIKKOAM METAVERSE THEME ACTIVE ETF (the Sub-Funds of Nikko AM Hong Kong Exchange Traded Funds Series) (continued)**

#### **Other Information**

The manager and the trustee of the Sub-Funds are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management for the Financial Statements**

The Management of the Sub-Funds is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management of the Sub-Funds is responsible for assessing the Sub-Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Sub-Funds or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Sub-Funds is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 27 August 2019, as amended (the "Trust Deed") and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Funds have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE UNITHOLDERS OF NIKKO AM GLOBAL INTERNET ETF AND NIKKOAM METAVERSE THEME ACTIVE ETF (the Sub-Funds of Nikko AM Hong Kong Exchange Traded Funds Series) (continued)**

#### **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code**

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Li Lien.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 28 October 2024

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

### STATEMENTS OF FINANCIAL POSITION

	Note	Nikko AM Global Internet ETF		NikkoAM Metaverse Theme Active ETF	
		As at 30 June 2024 US\$	As at 30 June 2023 US\$	As at 30 June 2024 US\$	As at 30 June 2023 US\$
<b>ASSETS</b>					
Financial assets at fair value through profit or loss	4(a)	15,278,279	11,532,996	20,579,651	17,680,742
Amount due from brokers		-	-	-	7,193
Expense reimbursement receivable	10(a)	14,774	22,168	-	-
Dividend receivable		21,489	-	5,320	33,446
Prepaid expenses		3,618	3,616	1,058	1,067
Cash and cash equivalents		15,029	11,091	1,074,828	845,919
<b>Total assets</b>		<b>15,333,189</b>	<b>11,569,871</b>	<b>21,660,857</b>	<b>18,568,367</b>
<b>LIABILITIES</b>					
Trustee fee payable	10(b)	2,486	2,493	2,486	2,493
Management fee payable	10(a)	22,627	16,112	39,038	33,488
Administration fee payable	10(c)	4,972	2,493	4,972	2,493
Audit fee payable		24,571	47,380	24,571	47,380
Custody fee payable	10(d)	4,475	2,244	4,475	2,244
Other payables	10(e), 10(f)	5,202	7,073	5,434	6,346
<b>Total liabilities</b>		<b>64,333</b>	<b>77,795</b>	<b>80,976</b>	<b>94,444</b>
<b>EQUITY</b>					
Net assets attributable to unitholders	8	15,268,856	11,492,076	21,579,881	18,473,923

The financial statements were approved and authorised for issue by the Trustee and the Manager on 28 October 2024.

BNP Paribas, acting through its Hong Kong as the Trustee

Nikko Asset Management Hong Kong Branch Limited as the Manager



## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

### STATEMENTS OF COMPREHENSIVE INCOME

	Note	Nikko AM Global Internet ETF		NikkoAM Metaverse Theme Active ETF	
		Year ended 30 June 2024 US\$	Year ended 30 June 2023 US\$	Year ended 30 June 2024 US\$	Year ended 30 June 2023 US\$
<b>Income</b>					
Net gains on financial assets at fair value through profit or loss	7	4,005,524	2,291,636	3,247,669	1,953,519
Foreign exchange losses		(485)	(3,922)	(7,073)	(13,177)
Dividends income		92,112	28,052	241,080	262,995
Interest income on cash and cash equivalent	10(g)	890	2,772	30,615	29,869
Expense reimbursement	10(a)	76,271	63,306	-	11,582
<b>Total net income</b>		<b>4,174,312</b>	<b>2,381,844</b>	<b>3,512,291</b>	<b>2,244,788</b>
<b>Expenses</b>					
Trustee fee	10(b)	10,014	10,000	10,014	10,000
Management fee	10(a)	77,611	101,052	140,897	115,613
Administration fee	10(c)	10,014	10,000	10,014	10,000
Transaction cost		1,896	8,294	16,267	15,440
Custody fees	10(d)	12,121	17,273	10,504	13,124
Registrar fees	10(e)	9,012	9,000	9,012	9,000
Audit fees		28,744	24,381	28,744	24,381
Legal and professional fee		11,450	7,628	13,687	11,407
Index license fee		5,006	5,000	-	-
Service agent fee		7,679	7,665	7,679	7,665
Other expenses	10(f)	18,450	19,217	13,775	14,440
<b>Total operating expenses</b>		<b>191,997</b>	<b>219,510</b>	<b>260,593</b>	<b>231,070</b>
<b>Net income before tax</b>		<b>3,982,315</b>	<b>2,162,334</b>	<b>3,251,698</b>	<b>2,013,718</b>
Withholding tax on dividends and other investment income	14	(8,739)	(2,219)	(42,763)	(47,176)
<b>Total comprehensive income</b>		<b>3,973,576</b>	<b>2,160,115</b>	<b>3,208,935</b>	<b>1,966,542</b>

The accompanying notes form an integral part of the financial statements.

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

### STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Note	Nikko AM Global Internet ETF		NikkoAM Metaverse Theme Active ETF	
	Year ended 30 June 2024 US\$	Year ended 30 June 2023 US\$	Year ended 30 June 2024 US\$	Year ended 30 June 2023 US\$
<b>Net assets attributable to unitholders at the beginning of the financial year</b>	11,492,076	14,897,767	18,473,923	15,964,140
Subscription of units in cash	-	7,085,225	-	786,035
Redemption of units in cash	(196,796)	(12,651,031)	(102,977)	(242,794)
<b>Net (decreases)/increases from units transaction</b>	(196,796)	(5,565,806)	(102,977)	543,241
<b>Total comprehensive income</b>	3,973,576	2,160,115	3,208,935	1,966,542
<b>Net assets attributable to unitholders at the end of the financial year</b>	8 15,268,856	11,492,076	21,579,881	18,473,923

Units transactions	Nikko AM Global Internet ETF USD class		NikkoAM Metaverse Theme Active ETF USD class	
	Year ended 30 June 2024 Units	Year ended 30 June 2023 Units	Year ended 30 June 2024 Units	Year ended 30 June 2023 Units
Units outstanding at the beginning of the year	882,000	1,347,000	1,731,000	1,676,000
Units issued during the year	-	635,000	-	80,000
Units redeemed during the year	(15,000)	(1,100,000)	(10,000)	(25,000)
Units outstanding at the end of the year	867,000	882,000	1,721,000	1,731,000
Net asset value per unit – US\$	17.6111	13.0296	12.5392	10.6724

The accompanying notes form an integral part of the financial statements.

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

	Nikko AM Global Internet ETF		NikkoAM Metaverse Theme Active ETF	
	Year ended 30 June 2024 US\$	Year ended 30 June 2023 US\$	Year ended 30 June 2024 US\$	Year ended 30 June 2023 US\$
<b>STATEMENTS OF CASH FLOWS</b>				
<b>Cash flows from operating activities</b>				
Net income before tax	3,982,315	2,162,334	3,251,698	2,013,718
<b>Adjustments for:</b>				
- Dividend income	(92,112)	(28,052)	(241,080)	(262,995)
- Interest income	(890)	(2,772)	(30,615)	(29,869)
<b>Operating cash flow before working capital changes</b>	3,889,313	2,131,510	2,980,003	1,720,854
- (Increase)/decrease in financial assets at fair value through profit or loss	(3,745,283)	3,387,822	(2,898,909)	(2,398,543)
- Decrease/(increase) in amount due from brokers	-	-	7,193	(1,274)
- Decrease/(increase) in expense reimbursement receivable	7,394	(7,135)	-	12,935
- (Increase)/decrease in prepaid expenses	(2)	2	9	467
- Decrease in trustee fee payable	(7)	(4,515)	(7)	(4,474)
- Increase/(decrease) in management fee payable	6,515	(8,509)	5,550	11,468
- Increase in administration fee payable	2,479	-	2,479	-
- (Decrease)/increase in audit fee payable	(22,809)	24,381	(22,809)	24,381
- Increase in custody fee payable	2,231	740	2,231	740
- (Decrease)/increase in other payables	(1,871)	1,367	(912)	2,346
<b>Cash generated from/(used in) operations</b>	137,960	5,525,663	74,828	(631,100)
- Dividend received, net of withholding tax	61,884	25,833	226,443	201,723
- Interest received	890	2,772	30,615	29,869
<b>Net cash generated from/(used in) operating activities</b>	200,734	5,554,268	331,886	(399,508)
<b>Cash flows from financing activities</b>				
Proceeds from subscriptions of units	-	7,085,225	-	786,035
Payments of redeemable units	(196,796)	(12,651,031)	(102,977)	(242,794)
<b>Net cash (used in)/generated from financing activities</b>	(196,796)	(5,565,806)	(102,977)	543,241
<b>Net increase/(decrease) in cash and cash equivalents</b>	3,938	(11,538)	228,909	143,733
Cash and cash equivalent at the beginning of the year	11,091	22,629	845,919	702,186
<b>Cash and cash equivalent at the end of the year</b>	15,029	11,091	1,074,828	845,919

The accompanying notes form an integral part of the financial statements.

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

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### NOTES TO THE FINANCIAL STATEMENTS

#### 1. General

Nikko AM Hong Kong Exchange Traded Funds Series (the "Trust") is an umbrella unit trust established under Hong Kong law by a Trust Deed dated 27 August 2019 between the Manager and BNP Paribas Trust Services (Hong Kong) Limited (as the previous trustee), as amended and/or supplemented from time to time, including by a Deed of Retirement and Appointment of Trustee, pursuant to which BNP Paribas Securities Services, acting through its Hong Kong Branch (as the previous trustee) was formerly appointed as trustee of the Trust in place of BNP Paribas Trust Services (Hong Kong) Limited with effect from 30 August 2021, and subsequently by a Supplemental Deed, pursuant to which BNP Paribas, acting through its Hong Kong Branch (the "Trustee") was appointed as trustee of the Trust in place of BNP Paribas Securities Services, acting through its Hong Kong Branch with effect from 1 October 2022 (collectively, the "Trust Deed").

The Trust has two sub-funds, Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF (each the "Sub-Fund" and collectively referred to as the "Sub-Funds"), of which one class of units was issued for each Sub-Fund. The units of the Sub-Funds, Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF were first issued on 23 October 2019 and 15 June 2020 respectively.

The Trust is authorised by the Securities and Futures Commission of Hong Kong (the "SFC") under Section 104(1) of the Hong Kong Securities and Futures Ordinance and is required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the "SFC Code").

#### **Nikko AM Global Internet ETF**

The Sub-Fund's investment objective is to seek to provide investment results that, before fees and expenses, closely correspond to the performance of the iEdge-Factset Global Internet Index (the "Index").

In order to achieve the investment objective, the Sub-Fund intends to primarily adopt a full replication strategy through investing directly in stocks included in the Index.

The Index aims to track the performance of developed market securities in the internet technologies segments. In order to provide the performance of the Index, the Sub-Fund may invest in stocks listed in United States of America, United Kingdom, France, Germany, Hong Kong, Japan, Korea and Singapore, and may include or exclude other markets from time to time.

#### **NikkoAM Metaverse Theme Active ETF**

##### Prior to 6 September 2022

The Sub-Fund's investment objective was to achieve long term capital growth by primarily investing in companies directly or indirectly involved in electronic games, mobile games or electronic sports businesses (collectively referred to as the "E-Games business").

The Sub-Fund invested primarily (i.e. at least 70% of its net asset value ("NAV")) in equities of companies which are directly or indirectly involved in E-Games business.

##### With effect from 6 September 2022

The Sub-Fund's investment objective is to achieve long term capital growth by primarily investing in companies involved in activities relating to, or that provides products, services, technologies or technological capabilities that contribute to, the development of the Metaverse (collectively, the "Metaverse Business").

The Sub-Fund will invest primarily (i.e. at least 70% of its net asset value ("NAV")) in equities of companies which are involved in the Metaverse Business.

These equities (which may include listed American Depositary Receipts ("ADRs") and Global Depositary Receipts ("GDRs")) in which the Sub-Fund will primarily invest may be listed on any exchange globally. The Sub-Fund will invest up to 85% of its NAV in emerging markets. Exposure to these equities may be obtained by investing in exchange traded funds ("ETFs") as a means of transition management if access to such equities is not yet available to the Sub-Fund.

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

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### NOTES TO THE FINANCIAL STATEMENTS

#### 1. General (continued)

##### Manager

The Manager of the Sub-Funds is Nikko Asset Management Hong Kong Limited (the "Manager"), a limited liability company incorporated under the laws of Hong Kong and regulated by the SFC.

##### Sub-Manager

Nikko Asset Management Asia Limited (the "Sub-Manager") has been appointed by the Manager as the Sub-Manager of the Sub-Funds. The Manager has delegated its management functions in relation to the Sub-Funds to the Sub-Manager.

The Manager and the Sub-Manager are wholly owned subsidiary of Nikko Asset Management International Limited, an indirectly owned subsidiary of Sumitomo Mitsui Trust Holdings, Inc..

#### 2. Summary of material accounting policy information

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the financial year presented, unless otherwise stated.

All references to net asset value ("NAV") throughout these financial statements refer to net assets attributable to unitholders unless otherwise stated.

##### (a) Basis of preparation

The financial statements of the Sub-Funds have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). The financial statements are prepared under the historical cost convention as modified by the fair valuation of financial assets and financial liabilities (including derivative instruments) held at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Sub-Funds' accounting policies.

HKFRSs comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

##### Standards and amendments to existing standards effective 1 July 2023

The Sub-Fund has applied the following new and amended standards for its annual reporting period commencing 1 July 2023.

- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2
- Definition of Accounting Estimates – amendments to HKAS 8

The amendment listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

##### New standards, amendments and interpretations effective after 1 July 2023 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Funds.

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

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### NOTES TO THE FINANCIAL STATEMENTS

#### 2. Summary of material accounting policy information (continued)

##### (b) Financial assets at fair value through profit or loss

###### (i) Classification

The Sub-Funds classify their investments based on both the Sub-Funds' business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Funds primarily focus on fair value information and uses that information to assess the assets' performance and to make decisions. The Sub-Funds have not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income.

As such, the Sub-Funds classify their investment portfolio as financial assets at fair value through profit or loss.

The Sub-Funds' policy requires the Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

###### (ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Sub-Funds commit to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Funds have transferred substantially all risks and rewards of ownership.

Realised gains and losses on investments represent the difference between the investments' initial carrying amounts and disposal amounts. Net change in unrealised gains and losses comprise changes in the fair value of investments for the period and from reversal of the prior period's unrealised gains and losses for investments which were realised in the reporting period

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains on financial assets at fair value through profit or loss in the year in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statements of comprehensive income within dividend income when the Sub-Funds' right to receive payments is established.

##### (c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market price at the close of trading on the reporting date. The quoted market prices used for the financial assets and financial liabilities held by the Sub-Funds were the last traded market price which falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques.

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

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### NOTES TO THE FINANCIAL STATEMENTS

#### 2. Summary of material accounting policies (continued)

##### (d) Transfer between levels of fair value hierarchy

Transfers between levels of fair value hierarchy are deemed to have occurred at the end of the reporting year.

##### (e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

##### (f) Due from and due to brokers and other receivables

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost.

At each reporting date, the Sub-Funds shall measure loss allowance on amounts due from broker and other receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Sub-Funds shall measure the loss allowance at an amount equal to 12-month expected credit losses. A significant increase in credit risk is defined as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

##### (g) Income and expenses

Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income when the Sub-Funds' right to receive payment are established with the corresponding foreign withholding taxes recorded as a taxation charge.

Expenses are accounted for on an accrual basis.

##### (h) Transaction costs

Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss. They include fees and commissions paid to agents, brokers and dealers. Transaction costs when incurred, are immediately recognised in profit or loss as an expense.

##### (i) Foreign currency translation

###### (i) Functional and presentation currency

Items included in each of the Sub-Funds' financial statements are measured using the currency of the primary economic environment in which the Sub-Funds operate (the "functional currency"). The Manager considers the United States dollar (the "US\$") as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in United States dollar which is the Sub-Funds' functional and presentation currency.

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

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### NOTES TO THE FINANCIAL STATEMENTS

#### 2. Summary of material accounting policies (continued)

##### (i) Foreign currency translation (continued)

###### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of all assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

The Sub-Funds do not isolate that portion of foreign exchange gains or losses on trading securities, which is due to changes in foreign exchange rates from which is due to changes in the market price of securities. Such fluctuations are included in the net gain or loss on financial assets at fair value through profit or loss in the statement of comprehensive income.

##### (j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

##### (k) Redeemable units

Units are redeemable at the unitholder's option. Units can be redeemed by the unitholders at any time, subject to redemption terms, whether in kind (i.e. the redemption of units in exchange for a transfer of securities plus any cash amount) or in cash only.

Units are issued and redeemed at the unitholder's option at prices based on each Sub-Fund's net asset value per unit at the time of issue or redemption. Each Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders with the total number of outstanding units.

Units are classified as equity when there is one class of units that is the sole share class outstanding for a Sub-Fund as at the statement of financial position date and these units meet all the other conditions of equity classification under HKAS 32 "Financial Instruments: Presentation".

These conditions include:

- the puttable instruments must entitle the holder to a pro-rata share of net assets in the event of liquidation;
- the puttable instruments must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer.



## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

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### NOTES TO THE FINANCIAL STATEMENTS

#### 2. Summary of material accounting policies (continued)

##### (l) Taxation

The Sub-Funds currently incur withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income.

Withholding taxes are shown as a separate item in the statement of comprehensive income.

#### 3. Critical accounting estimates and assumptions

The Manager makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

In preparing these financial statements, the Manager has made certain assumptions and used various estimates concerning the fair value of the securities that are suspended from trading which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

##### Fair value of securities that are suspended from trading

The Manager used its judgment in determining the fair values of these investments and involved a higher degree of subjectivity. The Manager judgment in determining the fair values of the suspended investments includes factors such as the duration of suspension period, the relevant market information and news of the suspended listed equities, the price movement of comparable listed equities/index during the suspension period and, if applicable, the market prices of the suspended listed equities upon resumption of trading after year end.

As at 30 June 2022, the investment held by Nikko AM Global Internet ETF included a listed equity of US\$nil, which has been suspended for trading. Having considered the factors mentioned above, the Manager has based on their best estimation and has assessed the fair value of this equity security at zero value as at 30 June 2022. Such listed equity investment was subsequently disposed on 3 March 2023. Refer to Note 5.

#### 4. Financial risk management

The Sub-Funds' activities expose them to a variety of risk, including but not limited to market price risk, interest rate risk, currency risk, credit risk and liquidity risk arising from the financial instruments held. The financial instruments are held in accordance with the published investment policies of the Sub-Funds and managed accordingly to achieve the investment objectives.

The Sub-Funds' overall risks management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Sub-Funds' financial performance. The risk management policies employed by the Sub-Funds to manage these risks are discussed below:

##### (a) Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

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### NOTES TO THE FINANCIAL STATEMENTS

#### 4. Financial risk management (continued)

##### (a) Market price risk (continued)

###### **Nikko AM Global Internet ETF**

The Sub-Fund's investment objective is to seek to provide investment results that, before fees and expenses, closely correspond to the performance of the iEdge-Factset Global Internet Index (the "Index"). In order to achieve the investment objective, the Sub-Fund intends to primarily adopt a full replication strategy through investing directly in stocks included in the Index in substantially the same weightings as these stocks have in the Index. The Sub-Fund may switch between the replication strategy and the representative sampling strategy, in its absolute discretion, and as often as it believes is appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely as possible for the benefit of investors. The Manager may cause the Sub-Fund to deviate from the index weighting (in pursuing a representative sampling strategy) on the condition that the maximum deviation from the index weighting of any constituent will not exceed 4 percentage points above or below such weighting.

The Index aims to track the performance of developed market securities in the internet technologies segments. In order to provide the performance of the Index, the Sub-Fund may invest in stocks listed in United States of America, United Kingdom, France, Germany, Hong Kong, Japan, Korea and Singapore, and may include or exclude other markets from time to time.

The Sub-Fund's market price risk is managed through diversification of investment portfolio. The Manager monitors the investments and rebalances the portfolio investments on a regular basis to reflect changes to the composition of, or the weightings of stocks in, the Index.

The Manager monitors the Sub-Fund's market price sensitivity primarily through the Sub-Fund's volatility, which describes the likely range of the Sub-Fund's return on a regular basis. The standard deviation of the return distribution of the Sub-Fund means the volatility of daily returns of the Sub-Fund. The annual volatility represents the estimation of the reasonable possible shift of the portfolio's holdings held by the Sub-Fund as at 30 June 2024 and 30 June 2023. The volatility was applied to the Sub-Fund based on the assumption that the Sub-Fund's returns are normally distributed with its mean return equals to nil and with one standard deviation away from the mean return over a twelve-month period based on the Sub-Fund's historical annual volatility percentage as a result of the market price fluctuation, assuming that all other variables are held constant.

As at 30 June 2024, the estimated volatility of the Sub-Fund's portfolio is 20% (2023: 26%) and the estimated impact on the net asset value of the Sub-Fund would have increased or decreased the net asset value of the Sub-Fund by US\$3,053,771 (2023: US\$2,987,940).

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

#### 4. Financial risk management (continued)

##### (a) Market price risk (continued)

###### **NikkoAM Metaverse Theme Active ETF**

###### Prior to 6 September 2022

The Sub-Fund's investment objective was to achieve long term capital growth by primarily investing in companies directly or indirectly involved in electronic games, mobile games or electronic sports businesses (collectively referred to as the "E-Games business").

The Sub-Fund invested primarily (i.e. at least 70% of its net asset value ("NAV")) in equities of companies which are directly or indirectly involved in E-Games business.

###### With effect from 6 September 2022

The Sub-Fund's investment objective is to achieve long term capital growth by primarily investing in companies involved in activities relating to, or that provides products, services, technologies or technological capabilities that contribute to, the development of the Metaverse (collectively, the "Metaverse Business"). The Sub-Fund will invest primarily (i.e. at least 70% of its net asset value ("NAV")) in equities of companies which are involved Metaverse Business.

The equities (which may include listed American Depositary Receipts ("ADRs") and Global Depositary Receipts ("GDRs")) in which the Sub-Fund will primarily invest may be listed on any exchange globally. The Sub-Fund will invest up to 85% of its NAV in emerging markets. Exposure to these equities may be obtained by investing in exchange traded funds ("ETFs") as a means of transition management if access to such equities is not yet available to the Sub-Fund.

The Manager employs an actively managed investment strategy for the Sub-Fund. The Sub-Fund does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager. Instead, investments of the Sub-Fund will be based on the Manager's view of market conditions and international investment trends and environment.

The Manager monitors the Sub-Fund's market price sensitivity primarily through the Sub-Fund's volatility, which describes the likely range of the Sub-Fund's return on a regular basis. The standard deviation of the return distribution of the Sub-Fund means the volatility of daily returns of the Sub-Fund. The annual volatility represents the estimation of the reasonable possible shift of the portfolio's holdings held by the Sub-Fund as at 30 June 2024 and 30 June 2023. The volatility was applied to the Sub-Fund based on the assumption that the Sub-Fund's returns are normally distributed with its mean return equals to nil and with one standard deviation away from the mean return over a twelve-month period based on the Sub-Fund's historical annual volatility percentage as a result of the market price fluctuation, assuming that all other variables are held constant.

As at 30 June 2024, the estimated volatility of the Sub-Fund's portfolio is 16% (2023: 19%) and the estimated impact on the net asset value of the Sub-Fund would have increased or decreased the net asset value of the Sub-Fund by US\$3,452,781 (2023: US\$3,510,045).

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

### NOTES TO THE FINANCIAL STATEMENTS

#### 4. Financial risk management (continued)

##### (a) Market price risk (continued)

The tables below disclose the financial assets at fair value through profit or loss of the Sub-Funds by geographical locations as at 30 June 2024 and 30 June 2023.

	Nikko AM Global Internet ETF			
	As at 30 June 2024		As at 30 June 2023	
	US\$	% of NAV	US\$	% of NAV
<b>Listed equities</b>				
Australia	181,656	1.19	159,084	1.39
Britain	91,835	0.60	68,599	0.60
China	1,822,072	11.93	977,463	8.51
South Korea	157,080	1.03	177,329	1.54
Sweden	253,390	1.66	120,894	1.05
United States of America	9,320,563	61.04	7,261,199	63.18
Uruguay	527,531	3.46	363,390	3.16
	<u>12,354,127</u>	<u>80.91</u>	<u>9,127,958</u>	<u>79.43</u>
<b>Depository receipts</b>				
China	1,537,451	10.07	1,677,968	14.60
Ireland	1,165,839	7.63	557,245	4.85
Singapore	220,862	1.45	169,825	1.48
	<u>2,924,152</u>	<u>19.15</u>	<u>2,405,038</u>	<u>20.93</u>
Total financial assets at fair value through profit or loss	<u>15,278,279</u>	<u>100.06</u>	<u>11,532,996</u>	<u>100.36</u>

	NikkoAM Metaverse Theme Active ETF			
	As at 30 June 2024		As at 30 June 2023	
	US\$	% of NAV	US\$	% of NAV
<b>Listed equities</b>				
Australia	407,805	1.89	317,948	1.72
China	2,191,267	10.15	2,036,499	11.02
France	294,841	1.37	660,593	3.58
Hong Kong SAR	253,859	1.18	-	-
Ireland	-	-	403,617	2.18
Japan	4,919,704	22.80	5,272,710	28.54
Singapore	456,149	2.11	-	-
South Korea	910,811	4.22	680,015	3.68
Taiwan	2,449,876	11.35	1,977,691	10.71
United States of America	5,864,267	27.17	4,970,016	26.91
	<u>17,748,579</u>	<u>82.24</u>	<u>16,319,089</u>	<u>88.34</u>
<b>Depository receipts</b>				
Singapore	1,129,880	5.24	204,591	1.11
South Korea	476,560	2.21	446,292	2.42
Taiwan	1,224,632	5.67	710,770	3.84
	<u>2,831,072</u>	<u>13.12</u>	<u>1,361,653</u>	<u>7.37</u>
Total financial assets at fair value through profit or loss	<u>20,579,651</u>	<u>95.36</u>	<u>17,680,742</u>	<u>95.71</u>

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

#### 4. Financial risk management (continued)

##### (a) Market price risk (continued)

The tables below disclose the financial assets at fair value through profit or loss of the Sub-Funds by industry sectors as at 30 June 2024 and 30 June 2023.

	Nikko AM Global Internet ETF			
	As at 30 June 2024		As at 30 June 2023	
	US\$	% of NAV	US\$	% of NAV
Commercial Services	-	-	226,603	1.97
Diversified Financial Services	272,158	1.78	67,114	0.58
Internet	12,510,461	81.93	10,210,662	88.85
Retail	210,303	1.38	68,599	0.60
Software	2,285,357	14.97	960,018	8.36
Total financial assets at fair value through profit or loss	15,278,279	100.06	11,532,996	100.36

	NikkoAM Metaverse Theme Active ETF			
	As at 30 June 2024		As at 30 June 2023	
	US\$	% of NAV	US\$	% of NAV
Apparel	-	-	280,577	1.52
Computers	-	-	403,617	2.18
Electronics	754,422	3.49	964,043	5.22
Entertainment	664,248	3.08	344,457	1.87
Home Furnishings	847,942	3.93	1,181,446	6.40
Internet	3,646,711	16.90	1,804,555	9.77
Media	724,797	3.36	775,902	4.20
Semiconductors	6,621,957	30.69	3,464,609	18.75
Software	5,299,767	24.56	7,059,494	38.21
Telecommunications	1,342,970	6.22	631,711	3.42
Toys/Games/Hobbies	676,837	3.13	770,331	4.17
Total financial assets at fair value through profit or loss	20,579,651	95.36	17,680,742	95.71

##### (b) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and their future cash flow.

The financial assets and liabilities of the Sub-Funds are mostly non-interest bearing except for the cash and cash equivalents. As a result, the Manager considers that the Sub-Funds are not currently subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any temporary excess cash and cash equivalents are invested at short term market interest rates where appropriate.

As at 30 June 2024, Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF have bank balances of US\$15,029 (2023: US\$11,091) and US\$1,074,828 (2023: US\$845,919) respectively. A change in interest rate levels is not considered to have a material impact to the Sub-Funds.

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

#### 4. Financial risk management (continued)

##### (c) Currency risk

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates.

The Sub-Funds may invest in assets denominated in currencies other than its functional currency, the United States dollar. Consequently, the Sub-Funds are exposed to risks that the exchange rate of the United States dollar relative to other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Sub-Funds' assets which are denominated in currencies other than the United States dollar.

To minimize currency risk, the Sub-Funds hold their excess cash mainly in its functional currency and executes spot foreign exchange transactions to facilitate trade settlements.

The tables below summarise the Sub-Funds' exposure to currency risks as at 30 June 2024 and 2023.

##### Nikko AM Global Internet ETF

	USD US\$	HKD US\$	KRW US\$	EUR US\$	GBP US\$	Total US\$
<b>As at 30 June 2024</b>						
<b>Assets</b>						
Monetary assets	51,285	2	-	3	2	51,292
Non-monetary assets	13,210,910	1,822,072	157,080	-	91,835	15,281,897
<b>Total assets</b>	<b>13,262,195</b>	<b>1,822,074</b>	<b>157,080</b>	<b>3</b>	<b>91,837</b>	<b>15,333,189</b>
<b>Liabilities</b>						
Monetary liabilities	63,053	1,280	-	-	-	64,333
<b>Net currency exposure</b>	<b>13,199,142</b>	<b>1,820,794</b>	<b>157,080</b>	<b>3</b>	<b>91,837</b>	<b>15,268,856</b>
	USD US\$	HKD US\$	KRW US\$	EUR US\$	GBP US\$	Total US\$
<b>As at 30 June 2023</b>						
<b>Assets</b>						
Monetary assets	33,252	2	-	3	2	33,259
Non-monetary assets	10,311,873	978,811	177,329	-	68,599	11,536,612
<b>Total assets</b>	<b>10,345,125</b>	<b>978,813</b>	<b>177,329</b>	<b>3</b>	<b>68,601</b>	<b>11,569,871</b>
<b>Liabilities</b>						
Monetary liabilities	76,515	1,280	-	-	-	77,795
<b>Net currency exposure</b>	<b>10,268,610</b>	<b>977,533</b>	<b>177,329</b>	<b>3</b>	<b>68,601</b>	<b>11,492,076</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**4. Financial risk management** (continued)

**(c) Currency risk** (continued)

**NikkoAM Metaverse Theme Active ETF**

	USD US\$	HKD US\$	JPY US\$	KRW US\$	CNY US\$	SGD US\$	TWD US\$	Others US\$	Total US\$
<b>As at 30 June 2024</b>									
<b>Assets</b>									
Monetary assets	1,024,364	90	430	753	-	-	54,428	83	1,080,148
Non-monetary assets	8,695,339	1,982,106	4,919,704	910,811	293,186	456,149	2,620,768	702,646	20,580,709
<b>Total assets</b>	<b>9,719,703</b>	<b>1,982,196</b>	<b>4,920,134</b>	<b>911,564</b>	<b>293,186</b>	<b>456,149</b>	<b>2,675,196</b>	<b>702,729</b>	<b>21,660,857</b>
<b>Liabilities</b>									
Monetary liabilities	79,696	1,280	-	-	-	-	-	-	80,976
<b>Net currency exposure</b>	<b>9,640,007</b>	<b>1,980,916</b>	<b>4,920,134</b>	<b>911,564</b>	<b>293,186</b>	<b>456,149</b>	<b>2,675,196</b>	<b>702,729</b>	<b>21,579,881</b>
<b>As at 30 June 2023</b>									
<b>Assets</b>									
Monetary assets	826,048	-	434	5,357	-	-	54,639	80	886,558
Non-monetary assets	6,331,669	1,296,729	5,272,710	680,015	740,837	403,617	1,977,691	978,541	17,681,809
<b>Total assets</b>	<b>7,157,717</b>	<b>1,296,729</b>	<b>5,273,144</b>	<b>685,372</b>	<b>740,837</b>	<b>403,617</b>	<b>2,032,330</b>	<b>978,621</b>	<b>18,568,367</b>
<b>Liabilities</b>									
Monetary liabilities	93,165	1,279	-	-	-	-	-	-	94,444
<b>Net currency exposure</b>	<b>7,064,552</b>	<b>1,295,450</b>	<b>5,273,144</b>	<b>685,372</b>	<b>740,837</b>	<b>403,617</b>	<b>2,032,330</b>	<b>978,621</b>	<b>18,473,923</b>

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

#### 4. Financial risk management (continued)

##### (c) Currency risk (continued)

The tables below summarise the sensitivity of the Sub-Funds' net monetary and non-monetary assets and liabilities to the change in foreign exchange rates at the reporting date. Changes in percentage are estimated annually depending on the Manager's current view of market volatility and other relevant factors.

	Nikko AM Global Internet ETF			
	2024		2023	
	Increase/decrease in reasonable possible shift in rate +/-%	Estimated impact on NAV US\$ +/-	Increase/decrease in reasonable possible shift in rate +/-%	Estimated impact on NAV US\$ +/-
KRW				
- Monetary	9	-	10	-
- Non-monetary	9	13,784	10	17,059
EUR				
- Monetary	7	-*	7	-*
- Non-monetary	7	-	7	-
GBP				
- Monetary	7	-*	9	-*
- Non-monetary	7	6,810	9	6,023

\* Denotes amount is less than US\$1.

	NikkoAM Metaverse Theme Active ETF			
	2024		2023	
	Increase/decrease in reasonable possible shift in rate +/-%	Estimated impact on NAV US\$ +/-	Increase/decrease in reasonable possible shift in rate +/-%	Estimated impact on NAV US\$ +/-
JPY				
- Monetary	10	42	10	43
- Non-monetary	10	484,468	10	519,626
KRW				
- Monetary	9	66	10	515
- Non-monetary	9	79,924	10	65,417
CNY				
- Monetary	5	-	6	-
- Non-monetary	5	15,759	6	45,191
AUD				
- Monetary	9	-	10	-
- Non-monetary	9	38,415	10	31,556
TWD				
- Monetary	7	3,805	7	3,863
- Non-monetary	7	183,192	7	139,823
EUR				
- Monetary	7	5	7	5
- Non-monetary	7	20,219	7	44,805
GBP				
- Monetary	-	-	9	-
- Non-monetary	-	-	9	35,438
SEK				
- Monetary	11	1	11	1
- Non-monetary	11	-	11	-
SGD				
- Monetary	5	-	-	-
- Non-monetary	5	20,937	-	-

The Hong Kong dollar is currently pegged with the United States dollar within a narrow range, hence, it is not included in the sensitivity analysis above.



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**NOTES TO THE FINANCIAL STATEMENTS**

**4. Financial risk management (continued)**

**(d) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument fails to discharge its obligations and causes the Sub-Funds to incur a financial loss. The Sub-Funds seek to minimise the risk of loss by careful choice of counterparties and by minimising the reliance placed on individual counterparties.

All trade settlements with approved counterparties are on delivery versus payment and/or receipt versus payment basis, with exceptions of IPOs, new issues and placement transactions. Hence, the risk of default is minimised, as delivery of securities sold is only made when the broker has received payment. Payment is made on a purchase when the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. The counterparty risk is minimised as all the investments and cash are held with financial institutions that the Manager considers as reputable.

Credit risk arises from cash and cash equivalents, expense reimbursement receivable, and credit exposures to brokers arising from outstanding and committed transactions. The Sub-Funds are also exposed to the risk that its assets held with the custodian may not be recoverable in the event of default by the custodian.

The tables below summarise the credit rating of banks and custodians in which the Sub-Funds' assets are held as at 30 June 2024 and 2023:

Bank	Nikko AM Global Internet ETF			
	As at 30 June 2024		As at 30 June 2023	
	US\$	Credit rating*	US\$	Credit rating*
- BNP Paribas, acting through its Singapore Branch	15,029	Aa3	11,091	Aa3
<b>Custodian</b>				
- BNP Paribas, acting through its Singapore Branch	15,278,279	Aa3	11,532,996	Aa3
Bank	NikkoAM Metaverse Theme Active ETF			
	As at 30 June 2024		As at 30 June 2023	
	US\$	Credit rating*	US\$	Credit rating*
- BNP Paribas, acting through its Singapore Branch	1,074,828	Aa3	845,919	Aa3
<b>Custodian</b>				
- BNP Paribas, acting through its Singapore Branch	20,579,651	Aa3	17,680,742	Aa3

\* The credit ratings are based on Local Long-Term Bank Deposits from Moody's.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

The Sub-Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. The Manager considers both historical analysis, current situation and forward looking information in determining any expected credit loss. As at 30 June 2024 and 2023, amount due from brokers, expense reimbursement receivable, dividend receivables and cash and cash equivalents are due to be settled within 1 month. The Manager considers the probability of default to be insignificant as the counterparties generally have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit loss as any such impairment would be wholly insignificant to the Sub-Funds.

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### NOTES TO THE FINANCIAL STATEMENTS

#### 4. Financial risk management (continued)

##### (e) Liquidity risk

Liquidity risk is the risk that the Sub-Funds may encounter difficulty in settling a liability, including a redemption request.

The Sub-Funds are exposed to daily cash redemptions from redeeming unitholders. The Manager manages liquidity risk by maintaining sufficient cash and marketable securities to meet the normal operating commitments. Cash and cash equivalents have maturity less than three months and the majority of the Sub-Funds' investments are traded in active markets and can be readily disposed of.

The tables below analyse the Sub-Funds' financial liabilities into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

#### Nikko AM Global Internet ETF

	Less than 3 months	
	As at 30 June 2024 US\$	As at 30 June 2023 US\$
Trustee fee payable	2,486	2,493
Management fee payable	22,627	16,112
Administration fee payable	4,972	2,493
Audit fee payable	24,571	47,380
Custody fee payable	4,475	2,244
Other payables	5,202	7,073
	<u>64,333</u>	<u>77,795</u>

#### NikkoAM Metaverse Theme Active ETF

	Less than 3 months	
	As at 30 June 2024 US\$	As at 30 June 2023 US\$
Trustee fee payable	2,486	2,493
Management fee payable	39,038	33,488
Administration fee payable	4,972	2,493
Audit fee payable	24,571	47,380
Custody fee payable	4,475	2,244
Other payables	5,434	6,346
	<u>80,976</u>	<u>94,444</u>

Units are redeemed on demand at the unitholder's option.

The Sub-Funds manage their liquidity risk by investing predominantly in securities that expect to be able to liquidate within 1 month or less. The following tables illustrate the expected liquidity of assets held as at 30 June 2024 and 2023:

#### Nikko AM Global Internet ETF

	Less than 1 month	
	As at 30 June 2024 US\$	As at 30 June 2023 US\$
Total financial assets	<u>15,329,571</u>	<u>11,566,255</u>

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

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### NOTES TO THE FINANCIAL STATEMENTS

#### 4. Financial risk management (continued)

##### (e) Liquidity risk (continued)

#### NikkoAM Metaverse Theme Active ETF

	Less than 1 month	
	As at 30 June 2024	As at 30 June 2023
	US\$	US\$
Total financial assets	21,659,799	18,567,300

##### (f) Capital risk management

The Sub-Funds' capital are represented by the net assets attributable to unitholders. In order to achieve the investment objectives, the Sub-Funds endeavour to invest the subscriptions in investments that meet the Sub-Funds' investment objectives while maintaining sufficient liquidity to meet redemption requests. Such liquidity is augmented by the holding of liquid investments.

#### 5. Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as trading securities) are based on quoted market prices at the close of trading on the year end date. The Sub-Funds utilise the last traded market price as its fair valuation inputs for both financial assets and financial liabilities.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The carrying amounts of assets and liabilities other than financial assets at fair value through profit or loss are reasonable approximations of their fair values.

The Sub-Funds classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

For the purpose of determining the appropriate level in the fair value hierarchy, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset or liability.

The Sub-Funds consider observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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**NOTES TO THE FINANCIAL STATEMENTS****5 Fair value estimation (continued)**

The following tables analyse within the fair value hierarchy the Sub-Funds' financial assets (by class) measured at fair value at the reporting date:

**Nikko AM Global Internet ETF**

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>As at 30 June 2024</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Listed equities	12,354,127	-	-	12,354,127
- Depository receipts	2,924,152	-	-	2,924,152
	<u>15,278,279</u>	<u>-</u>	<u>-</u>	<u>15,278,279</u>

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>As at 30 June 2023</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Listed equities	9,127,958	-	-	9,127,958
- Depository receipts	2,405,038	-	-	2,405,038
	<u>11,532,996</u>	<u>-</u>	<u>-</u>	<u>11,532,996</u>

**NikkoAM Metaverse Theme Active ETF**

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>As at 30 June 2024</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Listed equities	17,748,579	-	-	17,748,579
- Depository receipts	2,831,072	-	-	2,831,072
	<u>20,579,651</u>	<u>-</u>	<u>-</u>	<u>20,579,651</u>

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>As at 30 June 2023</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Listed equities	16,319,089	-	-	16,319,089
- Depository receipts	1,361,653	-	-	1,361,653
	<u>17,680,742</u>	<u>-</u>	<u>-</u>	<u>17,680,742</u>

Investments that are valued based on quoted market prices in active markets, such as active listed equities, are classified within level 1. The Sub-Funds do not adjust the quoted prices for these investments.

There was no transfer between levels during the year ended 30 June 2024 and 2023 for Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF.

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**NOTES TO THE FINANCIAL STATEMENTS**

**5 Fair value estimation (continued)**

Investments classified within Level 3 have significant unobservable inputs as there are no readily available quoted market prices. During the year ended 30 June 2022, Nikko AM Global Internet ETF invested in the listed equity of Yandex NV, a company incorporated in Netherlands and listed on NASDAQ. The equity had been suspended for trading on NASDAQ since 28 February 2022. The Manager had taken into consideration of the uncertainties of timing for trading resumption and the impact on business of Yandex due to the economic sanctions in relation to Russia and had assessed the fair value of such equity security at zero value as at 30 June 2022. The fair value of such equity security was estimated by the Manager based on their analysis of the investment's duration of suspension period and the relevant market information of Yandex. The equity was disposed during the year ended 30 June 2023. There was no transfer between levels during the year ended 30 June 2023.

**6. Financial instruments by category**

Financial assets

Apart from financial assets of investments as disclosed in the statement of financial position which are classified as at fair value through profit or loss, all other financial assets as disclosed in the statement of financial position, including expense reimbursement receivable, dividend receivable, amounts due from brokers and cash and cash equivalents, are categorised as "amortised cost".

Financial liabilities

All financial liabilities as disclosed in the statement of financial position, including administration fee payable, management fee payable, trustee fee payable, audit fee payable, custody fee payable, and other payables are categorised as "amortised cost".

**7. Net gains on financial assets at fair value through profit or loss**

	Nikko AM Global Internet ETF		NikkoAM Metaverse Theme Active ETF	
	Year ended 30 June 2024	Year ended 30 June 2023	Year ended 30 June 2024	Year ended 30 June 2023
	US\$	US\$	US\$	US\$
Net realised gain/(loss) on investments	836,643	(3,088,025)	(189,438)	(2,479,287)
Net change in unrealised gain/(loss) on investments	3,168,881	5,379,661	3,437,107	4,432,806
	<u>4,005,524</u>	<u>2,291,636</u>	<u>3,247,669</u>	<u>1,953,519</u>

**8. Number of units in issue and net assets attributable to unitholders**

The Sub-Funds' net assets attributable to unitholders represent an equity in the statements of financial position, carried at the redemption amount that would be payable at the statements of financial position date if the unitholders exercised the right to redeem the units.

Units are issued in cash or through an in-kind creation of an Index Basket with the remaining balances in cash, and are redeemed in cash or through an in-kind with the remaining balances in cash by the participating dealer. Subscriptions and redemptions of units during the year ended 30 June 2024 and 2023 are shown on the statement of changes in net assets attributable to unitholders. In accordance with the objectives and risk management policies outlined in note 4(a), the Manager endeavors to invest in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of listed securities where necessary.

In accordance with the provisions of the Trust Deed and the Sub-Funds' prospectus, listed investments are stated at the last traded price on the valuation day for the purpose of determining the net asset value per unit for subscriptions and redemptions and for various fee calculations. The price is then adjusted at fair value within bid-ask spread for reporting purpose.

The movements in number of units for the year are as follows:

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**8. Number of units in issue and net assets attributable to unitholders (continued)**

	<b>Nikko AM Global Internet ETF</b>	
	<b>Year ended</b>	<b>Year ended</b>
	<b>30 June 2024</b>	<b>30 June 2023</b>
Number of units in issue at the beginning of year	882,000	1,347,000
Units issued	-	635,000
Units redeemed	<u>(15,000)</u>	<u>(1,100,000)</u>
Number of units in issue at the end of year	<u>867,000</u>	<u>882,000</u>
Net assets attributable to unitholders - US\$	15,268,856	11,492,076
Net asset value per unit - US\$	<u>17.6111</u>	<u>13.0296</u>

	<b>NikkoAM Metaverse Theme Active ETF</b>	
	<b>Year ended</b>	<b>Year ended</b>
	<b>30 June 2024</b>	<b>30 June 2023</b>
Number of units in issue at the beginning of year	1,731,000	1,676,000
Units issued	-	80,000
Units redeemed	<u>(10,000)</u>	<u>(25,000)</u>
Number of units in issue at the end of year	<u>1,721,000</u>	<u>1,731,000</u>
Net assets attributable to unitholders - US\$	21,579,881	18,473,923
Net asset value per unit - US\$	<u>12.5392</u>	<u>10.6724</u>

**9. Reconciliation between NAV per statement of financial position and published NAV**

According to the Prospectus of the Sub-Funds, the fair value of financial assets at fair value through profit or loss is recognised based on the latest official closing price of such investment and that is not recognised in accordance to HKFRS which require the latest official price within the bid-ask spread as the most representative of fair value. To the extent that the accounting basis adopted by the Sub-Funds deviate from HKFRS, the Manager may make necessary adjustments in the annual financial statements for the financial statements to be in compliance with HKFRS. A reconciliation of the net asset value as reported in the Statement of Financial Position to the net asset value as determined for the purpose of processing unit subscription and redemption is provided below:

<b>Nikko AM Global Internet ETF</b>	<b>As at</b>	<b>As at</b>
	<b>30 June 2024</b>	<b>30 June 2023</b>
	<b>US\$</b>	<b>US\$</b>
Accounting net assets attributable to unitholders as reported in the statement of financial position	15,268,856	11,492,076
Adjustment of the difference of the net assets attributable to unitholders calculated according to the HKFRS and Prospectus of the Sub-Funds*	<u>874</u>	<u>3,033</u>
Net assets attributable to unitholders for issuing/redeeming per unit	<u>15,269,730</u>	<u>11,495,109</u>
Net asset value per unit (published net asset value per unit)	<u>17.6121</u>	<u>13.0330</u>

\* The adjustment amount of US\$730 (2023: Nil) represents the difference between the net assets attributable to unitholders calculated at the last dealing date on 28 June 2024 according to the Prospectus of the Sub-Fund and the financial year ended 30 June 2024 calculated under the HKFRS. In addition, the adjustment amount of US\$144 (2023: US\$3,033) represents the difference between the closing prices used for the fair valuation of investments according to the Prospectus and the last traded price used for the fair valuation of investments according to the HKFRS as at 30 June 2024.

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**9. Reconciliation between NAV per statement of financial position and published NAV (continued)**

NikkoAM Metaverse Theme Active ETF	As at 30 June 2024 US\$	As at 30 June 2023 US\$
Accounting net assets attributable to unitholders as reported in the statement of financial position	21,579,881	18,473,923
Adjustment of the difference of the net assets attributable to unitholders calculated according to the HKFRS and Prospectus of the Sub-Funds**	2,567	2,488
Net assets attributable to unitholders for issuing/redeeming per unit	21,582,448	18,476,411
Net asset value per unit (published net asset value per unit)	12.5406	10.6738

\*\* The adjustment amount of US\$590 (2023: Nil) represents the difference between the net assets attributable to unitholders calculated at the last dealing date on 28 June 2024 according to the Prospectus of the Sub-Fund and the financial year ended 30 June 2024 calculated under the HKFRS. In addition, the adjustment amount of US\$1,977 (2023: US\$2,488) represents the difference between the closing prices used for the fair valuation of investments according to the Prospectus and the last traded price used for the fair valuation of investments according to the HKFRS as at 30 June 2024.

**10. Transactions with the Trustee, the Manager and the Manager's connected persons**

The following is a summary of significant related party transactions/ transactions entered into during the year between each of the Sub-Fund and the Trustee, the Manager and the Manager's connected persons ("Connected Persons") respectively. Connected Persons are those defined in the SFC Code. All transactions entered into during the year between each of the Sub-Fund and its related parties were carried out in the normal course of business and on normal commercial terms. To the best of the Trustee's and Manager's knowledge, the Sub-Funds did not have any other transactions with the Connected Persons except for those disclosed below.

**(a) Management fee**

The Manager is entitled to receive a management fee of up to 2% per annum of the net asset value of the Sub-Funds, calculated and accrued on each dealing day and payable monthly in arrears. In respect of the Sub-Funds, the Manager currently charges a rate of 0.60% and 0.75% per annum for Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF respectively.

The Manager will reimburse Nikko AM Global Internet ETF when the aggregate expenses, is over 0.88% of the average net asset value of the Sub-Fund.

With effect from 6 September 2022, the current cap on the ongoing charges figure excluding the management fee, which is 0.20% of the average NAV of the Sub-Fund, for NikkoAM Metaverse Theme Active ETF is no longer applicable.

Management fee charged for the year ended 30 June 2024 were US\$77,611 (2023: US\$101,052) and US\$140,897 (2023: US\$115,613), of which US\$22,627 (2023: US\$16,112) and US\$39,038 (2023: US\$33,488) were outstanding for Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF respectively as at 30 June 2024.

Expenses reimbursed by the Manager for the year ended 30 June 2024 were US\$76,271 (2023: US\$63,306) and US\$nil (2023: US\$11,582), for Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF respectively, of which US\$14,774 (2023: US\$22,168) was outstanding for Nikko AM Global Internet ETF and US\$nil for NikkoAM Metaverse Theme Active ETF respectively, as at 30 June 2024.

Administration, Custody, Registrar and Trustee fees

The Sub-Funds will pay administration, custody, registrar and trustee fees at the rates agreed.

The Trustee is entitled to receive a fee of up to 1% per annum of the net asset value of the Sub-Funds, calculated and accrued on each dealing day. The current fee is at a rate of up to 0.095% per annum, subject to a minimum of US\$38,000 per annum, and includes trustee fee, administration fee, custody fee, registrar

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### NOTES TO THE FINANCIAL STATEMENTS

fee and financial reporting fee. In addition, all parties are entitled to recover out-of-pocket expenses in performing their services.

#### 10. Transactions with the Trustee, the Manager and the Manager's connected persons (Continued)

- (b) Trustee fee charged for the year ended 30 June 2024 were US\$10,014 (2023: US\$10,000) and US\$10,014 (2023: US\$10,000), of which US\$2,486 (2023: US\$2,493) and US\$2,486 (2023: US\$2,493) were outstanding for Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF respectively as at 30 June 2024.
- (c) Administration fee charged for the year ended 30 June 2024 were US\$10,014 (2023: US\$10,000) and US\$10,014 (2023: US\$10,000), of which US\$4,972 (2023: US\$2,493) and US\$4,972 (2023: US\$2,493) were outstanding for Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF respectively as at 30 June 2024.
- (d) Custody fee charged for the year ended 30 June 2024 were US\$12,121 (2023: US\$17,273) and US\$10,504 (2023: US\$13,124), of which US\$4,475 (2023: US\$2,244) and US\$4,475 (2023: US\$2,244) were outstanding for Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF respectively as at 30 June 2024.
- (e) Registrar fee charged for the year ended 30 June 2024 were US\$9,012 (2023: US\$9,000) and US\$9,012 (2023: US\$9,000), of which US\$2,238 (2023: US\$2,244) and US\$2,153 (2023: US\$2,159) were outstanding for Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF respectively as at 30 June 2024.
- (f) Financial reporting fee charged for the year ended 30 June 2024 were US\$501 (2023: US\$500) and US\$501 (2023: US\$500) of which US\$249 (2023: US\$748) and US\$249 (2023: US\$748) were outstanding for Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF respectively as at 30 June 2024.
- (g) **Bank balances**

Bank balances are maintained with BNP Paribas, acting through its Singapore Branch, a related party of the Trustee. Bank balances held as at 30 June 2024 and 2023, are as follows:

	<b>Nikko AM Global Internet ETF</b>	
	<b>As at 30 June 2024</b>	<b>As at 30 June 2023</b>
	<b>US\$</b>	<b>US\$</b>
Bank balances held with related party of the Trustee	15,029	11,091

  

	<b>NikkoAM Metaverse Theme Active ETF</b>	
	<b>As at 30 June 2024</b>	<b>As at 30 June 2023</b>
	<b>US\$</b>	<b>US\$</b>
Bank balances held with related party of the Trustee	1,074,828	845,919

Interest income arising from cash and cash equivalents amounted to US\$890 (2023: US\$2,772) and US\$30,615 (2023: US\$29,869) for the year ended 30 June 2024 and 2023 for Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF respectively.



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### NOTES TO THE FINANCIAL STATEMENTS

#### 10. Transactions with the Trustee, the Manager and the Manager's connected persons (Continued)

##### (h) Holding in Sub-Funds

Nikko AM Investment Fund II and Nikko AM Investment Fund III, schemes entered into the list of restricted Singapore schemes maintained by the Monetary Authority of Singapore and managed by the Sub-Manager, are investing into Nikko AM Global Internet ETF and NikkoAM Metaverse Theme Active ETF respectively. Nikko AM Investment Fund II and Nikko AM Investment Fund III were subsequently terminated on 23 March 2023 and 13 September 2022 respectively.

Therefore for the year ended 30 June 2024, there was no purchase and sales of Nikko AM Investment Fund II or Nikko AM Investment Fund III into Nikko AM Global Internet ETF and/or NikkoAM Metaverse Theme Active ETF.

For the year ended 30 June 2023, purchase of Nikko AM Investment Fund III into NikkoAM Metaverse Theme Active ETF were US\$927,747. There was no sale of NikkoAM Metaverse Theme Active ETF by Nikko AM Investment Fund III for the years ended 30 June 2023.

#### 11. Major non-cash transactions

In accordance with the Trust Deed, units of the Sub-Funds may be issued through an in-kind creation (i.e. the creation of units in exchange for a transfer of securities) with the remaining balances in cash. For each creation in-kind unit (of 50,000 units), the Sub-Funds will receive a portfolio of securities as determined by the Manager on a daily basis. During the year ended 30 June 2024 and 2023, there was no in-kind creation for the Sub-Funds.

#### 12. Investment limitations and prohibitions under the SFC Code

##### Nikko AM Global Internet ETF

Pursuant to the SFC's Guidelines for Regulating Index Tracking Exchange Traded Funds (the "ETF Guidelines"), the Manager is permitted to overweight the holdings of the Sub-Fund relative to its respective weightings in the underlying index, on the condition that the maximum extra weighting in any constituent securities will not exceed the maximum limit reasonably determined by the Sub-Fund and after consultation with the SFC. The maximum limit for the Sub-Fund has been disclosed in the prospectus. The Manager has confirmed that the Sub-Fund has complied with this limit during the year ended 30 June 2024 and 2023.

The SFC Code allows the Sub-Fund to invest in constituent securities issued by a single issuer for more than 10% of the Sub-Fund's net asset value provided that the investment is limited to any constituent securities that each accounts for more than 10% of the weighting of the Index and the Sub-Fund's holding of any such constituent securities may not exceed their respective weightings in the Index (except as a result of changes in the composition of the Index and the excess is transitional and temporary in nature).

Constituent securities that account for more than 10% of the net asset value of the Sub-Fund as at 30 June 2024 and 2023 were as follows:

	As at 30 June 2024		As at 30 June 2023	
	% weighting in the Index	% of NAV	% weighting in the Index	% of NAV
Alphabet Incorporated	11.65	11.65	11.63	11.66
Amazon.com Incorporated	-*	-*	12.11	12.14
Meta Platforms Incorporated	-*	-*	14.36	14.39
Netflix Incorporated	-*	-*	10.73	10.77
Tencent Holdings Limited	11.93	11.93	-*	-*

\* Less than 10% as of 30 June 2024 and 2023.

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**NOTES TO THE FINANCIAL STATEMENTS**

**12. Investment limitations and prohibitions under the SFC Code (Continued)**

Except as disclosed above, there were no other securities that individually accounted for more than 10% of the net asset value of the Sub-Fund as at 30 June 2024 and 2023.

The tables below detail the performance of the Sub-Fund as presented by the change in NAV per unit by comparison with the performance of the Sub-Fund's underlying index.

	<b>30 June 2024</b>	<b>30 June 2023</b>
	%	%
Fund Returns	35.13	17.85
iEdge-Factset Global Internet Index	36.13	18.93

**13. Segment information**

The Manager makes the strategic resource allocations on behalf of the Sub-Funds. The Sub-Funds have determined the operating segments based on the reports reviewed by the Manager, which are used to make strategic decisions. The Manager is responsible for the Sub-Funds' entire portfolio and considers the business to have a single operating segment.

Nikko AM Global Internet ETF trades in the constituent shares of the Index with the objective to provide investment results that closely correspond to the performance of the Index. The internal reporting provided to the Manager for the Sub-Funds' assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of HKFRSs.

There were no changes in the reportable segment of the Sub-Funds during the year ended 30 June 2024 and 2023. The Sub-Funds are domiciled in Hong Kong. The Sub-Funds have no assets classified as non-current assets.

Nikko AM Global Internet ETF has invested directly in stocks included in the Index in substantially the same weightings as these stocks have in the Index. Please refer to note 12 for investment holdings account for more than 10% of the Sub-Fund's NAV.

**14. Taxation**

No provision for Hong Kong profits tax has been made for the Sub-Funds as they were authorised as collective investment schemes under Section 104 of the Hong Kong Securities and Futures Ordinance and is therefore exempt from profits tax under Section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

Dividend income on, and proceeds from the sale of, certain securities which the Sub-Funds own may be subject to withholding tax which would reduce the net proceeds. Such income or gains are recorded gross of withholding taxes in the statements of comprehensive income. Withholding taxes are shown as a separate item in the statements of comprehensive income.

**15. Security lending arrangements**

During the year ended 30 June 2024 and 2023, the Sub-Funds did not enter into any security lending arrangements.

**16. Contingent liabilities and capital commitments**

The Sub-Funds had no contingent liabilities or capital commitments as at 30 June 2024 and 2023.

**17. Distributions**

No distribution was made by the Sub-Funds for the year ended 30 June 2024 and 2023.

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### **NOTES TO THE FINANCIAL STATEMENTS**

**18. Soft dollar commission**

During the year ended 30 June 2024 and 2023, the Manager and its Connected Persons did not enter into any soft dollar commission arrangements with brokers in relation to the dealings in the assets of the Sub-Funds.

**19. Approval of financial statements**

The financial statements were approved and authorised for issue by the Trustee and the Manager on 28 October 2024.

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**INVESTMENT PORTFOLIO (unaudited)**

As at 30 June 2024

**Nikko AM Global Internet ETF**

	Holdings at 30 June 2024	Fair value at 30 June 2024 US\$	Percentage of total net assets attributable to unitholders at 30 June 2024 %
<b>Listed equities</b>			
<b>AUSTRALIA</b>			
Atlassian Corporation	1,027	181,656	1.19
<b>Total Australia</b>		<u>181,656</u>	<u>1.19</u>
<b>BRITAIN</b>			
Next Public Listed Company	804	91,835	0.60
<b>Total Britain</b>		<u>91,835</u>	<u>0.60</u>
<b>CHINA</b>			
Tencent Holdings Limited	38,200	1,822,072	11.93
<b>Total China</b>		<u>1,822,072</u>	<u>11.93</u>
<b>SOUTH KOREA</b>			
Kakao Corporation	1,862	54,988	0.36
Naver Corporation	842	102,092	0.67
<b>Total South Korea</b>		<u>157,080</u>	<u>1.03</u>
<b>SWEDEN</b>			
Spotify Technology SA	806	253,390	1.66
<b>Total Sweden</b>		<u>253,390</u>	<u>1.66</u>
<b>UNITED STATES OF AMERICA</b>			
Alphabet Incorporated	9,768	1,778,362	11.65
Amazon.com Incorporated	7,664	1,481,758	9.70
Cloudflare Incorporated	1,829	151,533	0.99
Coinbase Global Incorporated	1,225	272,158	1.78
Coupang Incorporated	6,402	133,994	0.88
eBay Incorporated	3,415	183,454	1.20
GoDaddy Incorporated	927	129,511	0.85
Match Group Incorporated	1,749	53,135	0.35
Meta Platforms Incorporated	2,767	1,395,177	9.14
Netflix Incorporated	2,241	1,512,406	9.90
Oracle Corporation	10,529	1,486,063	9.73
Pinterest Incorporated	3,884	171,168	1.12
Snap Incorporated	6,812	113,147	0.74
Take-Two Interactive Software Incorporated	1,113	173,060	1.13
Twilio Incorporated	1,152	65,445	0.43
Verisign Incorporated	572	101,724	0.67
Williams-Sonoma Incorporated	419	118,468	0.78
<b>Total United States of America</b>		<u>9,320,563</u>	<u>61.04</u>

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**INVESTMENT PORTFOLIO (unaudited)**

As at 30 June 2024

**Nikko AM Global Internet ETF**

	Holdings at 30 June 2024	Fair value at 30 June 2024 US\$	Percentage of total net assets attributable to unitholders at 30 June 2024 %
<b>Listed equities (continued)</b>			
<b>URUGUAY</b>			
MercadoLibre Incorporated	321	527,531	3.46
<b>Total Uruguay</b>		<u>527,531</u>	<u>3.46</u>
<b>Total listed equities</b>		<u>12,354,127</u>	<u>80.91</u>
<b>Depository receipts</b>			
<b>CHINA</b>			
Alibaba Group Holding Limited	13,265	955,213	6.26
Baidu Incorporated	1,766	152,724	1.00
JD.com Incorporated	7,814	201,914	1.32
NetEase Incorporated	2,381	227,600	1.49
<b>Total China</b>		<u>1,537,451</u>	<u>10.07</u>
<b>IRELAND</b>			
PDD Holdings Incorporated	8,769	1,165,839	7.63
<b>Total Ireland</b>		<u>1,165,839</u>	<u>7.63</u>
<b>SINGAPORE</b>			
Sea Limited	3,092	220,862	1.45
<b>Total Singapore</b>		<u>220,862</u>	<u>1.45</u>
<b>Total depository receipts</b>		<u>2,924,152</u>	<u>19.15</u>
<b>Total investments</b>		<u>15,278,279</u>	<u>100.06</u>
<b>Total investments at cost</b>		<u>12,177,577</u>	

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**INVESTMENT PORTFOLIO (unaudited)**

As at 30 June 2024

**NikkoAM Metaverse Theme Active ETF**

	Holdings at 30 June 2024	Fair value at 30 June 2024 US\$	Percentage of total net assets attributable to unitholders at 30 June 2024 %
<b>Listed equities</b>			
<b>AUSTRALIA</b>			
NextDC Limited	34,636	407,805	1.89
<b>Total Australia</b>		<u>407,805</u>	<u>1.89</u>
<b>CHINA</b>			
37 Interactive Entertainment Network Technology Group Company Limited	164,023	293,186	1.36
Kuaishou Technology	75,300	445,102	2.06
NetEase Incorporated	34,915	666,780	3.09
Silergy Corporation	12,000	170,892	0.79
Tencent Holdings Limited	12,900	615,307	2.85
<b>Total China</b>		<u>2,191,267</u>	<u>10.15</u>
<b>FRANCE</b>			
Ubisoft Entertainment SA	13,459	294,841	1.37
<b>Total France</b>		<u>294,841</u>	<u>1.37</u>
<b>HONG KONG SAR</b>			
ASMPT Limited	18,200	253,859	1.18
<b>Total Hong Kong SAR</b>		<u>253,859</u>	<u>1.18</u>
<b>JAPAN</b>			
Anycolor Incorporated	17,000	291,577	1.35
Bandai Namco Holdings Incorporated	15,600	304,513	1.41
Capcom Company Limited	21,800	411,037	1.91
Ibiden Company Limited	8,000	325,650	1.51
Kadokawa Corporation	13,500	216,482	1.00
Nexon Company Limited	10,900	201,588	0.93
Nintendo Company Limited	7,000	372,324	1.73
Rorze Corporation	4,100	809,244	3.75
Sega Sammy Holdings Incorporated	17,400	258,361	1.20
Sony Group Corporation	10,000	847,942	3.93
TBS Holdings Incorporated	8,600	216,738	1.00
Toho Company Limited	10,800	315,822	1.46
Tsuburaya Fields Holdings Incorporated	32,700	348,426	1.62
<b>Total Japan</b>		<u>4,919,704</u>	<u>22.80</u>
<b>SINGAPORE</b>			
Singapore Telecommunications Limited	224,800	456,149	2.11
<b>Total Singapore</b>		<u>456,149</u>	<u>2.11</u>

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**INVESTMENT PORTFOLIO (unaudited)**

As at 30 June 2024

**NikkoAM Metaverse Theme Active ETF**

	Holdings at 30 June 2024	Fair value at 30 June 2024 US\$	Percentage of total net assets attributable to unitholders at 30 June 2024 %
<b>Listed equities (continued)</b>			
<b>SOUTH KOREA</b>			
Krafton Incorporated	2,469	504,921	2.34
Naver Corporation	1,699	206,003	0.95
Samsung Electronics Company Limited	3,376	199,887	0.93
<b>Total South Korea</b>		<u>910,811</u>	<u>4.22</u>
<b>TAIWAN</b>			
Accton Technology Corporation	28,000	479,016	2.22
Gamania Digital Entertainment Company Limited	183,000	469,325	2.17
Mediatek Incorporated	13,000	561,010	2.60
Micro-Star International Company Limited	47,000	257,880	1.20
Powertech Technology Incorporated	51,000	295,548	1.37
Taiwan Semiconductor Manufacturing Company Limited	13,000	387,097	1.79
<b>Total Taiwan</b>		<u>2,449,876</u>	<u>11.35</u>
<b>UNITED STATES OF AMERICA</b>			
Amazon.com Incorporated	4,040	781,094	3.62
Autodesk Incorporated	1,127	278,876	1.29
Broadcom Incorporated	286	459,182	2.13
Electronic Arts Incorporated	3,016	420,310	1.95
Microsoft Corporation	3,747	1,674,047	7.75
Nvidia Corporation	15,841	1,954,938	9.06
Roblox Corporation	7,950	295,820	1.37
<b>Total United States of America</b>		<u>5,864,267</u>	<u>27.17</u>
<b>Total listed equities</b>		<u>17,748,579</u>	<u>82.24</u>
<b>Depository receipts</b>			
<b>SINGAPORE</b>			
Sea Limited	15,818	1,129,880	5.24
<b>Total Singapore</b>		<u>1,129,880</u>	<u>5.24</u>
<b>SOUTH KOREA</b>			
Samsung Electronics Company Limited - GDR	322	476,560	2.21
<b>Total South Korea</b>		<u>476,560</u>	<u>2.21</u>

**NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES**

(An umbrella unit trust established in Hong Kong)

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**INVESTMENT PORTFOLIO (unaudited)**

As at 30 June 2024

**NikkoAM Metaverse Theme Active ETF**

	Holdings at 30 June 2024	Fair value at 30 June 2024 US\$	Percentage of total net assets attributable to unitholders at 30 June 2024 %
<b>Depository receipts (continued)</b>			
<b>TAIWAN</b>			
Taiwan Semiconductor Manufacturing Company Limited - SP ADR	7,045	1,224,632	5.67
<b>Total Taiwan</b>		<u>1,224,632</u>	<u>5.67</u>
<b>Total depository receipts</b>		<u>2,831,072</u>	<u>13.12</u>
<b>Total investments</b>		<u>20,579,651</u>	<u>95.36</u>
<b>Total investments at cost</b>		<u>15,508,415</u>	



**NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES**

(An umbrella unit trust established in Hong Kong)

**STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO (unaudited)**

For the period ended 30 June 2024

**Nikko AM Global Internet ETF**

	01 July 2023 holdings	Additions	Disposals	30 June 2024 holdings
Activision Blizzard Incorporated	4,601	12	4,613	-
Alibaba Group Holding Limited	11,514	2,189	438	13,265
Alphabet Incorporated	11,198	992	2,422	9,768
Amazon.com Incorporated	10,706	374	3,416	7,664
Atlassian Corporation	948	148	69	1,027
Baidu Incorporated	1,671	125	30	1,766
Block Incorporated	3,405	22	3,427	-
Cloudflare Incorporated	1,707	265	143	1,829
Coinbase Global Incorporated	938	352	65	1,225
Coupage Incorporated	5,894	977	469	6,402
eBay Incorporated	3,432	334	351	3,415
ETSY Incorporated	784	34	818	-
GoDaddy Incorporated	960	90	123	927
JD.com Incorporated	7,577	1,476	1,239	7,814
Kakao Corporation	1,732	283	153	1,862
Match Group Incorporated	1,793	148	192	1,749
MercadoLibre Incorporated	307	43	29	321
Meta Platforms Incorporated	5,766	178	3,177	2,767
Naver Corporation	813	108	79	842
NetEase Incorporated	2,388	284	291	2,381
Netflix Incorporated	2,810	106	675	2,241
Next Public Listed Company	782	110	88	804
Oracle Corporation	-	10,603	74	10,529
PDD Holdings Incorporated	8,062	1,492	785	8,769
Pinterest Incorporated	3,544	551	211	3,884
Sea Limited	2,926	394	228	3,092
Snap Incorporated	6,230	980	398	6,812
Spotify Technology SA	753	123	70	806
Take-Two Interactive Software Incorporated	-	1,113	-	1,113
Tencent Holdings Limited	23,100	15,700	600	38,200
Twilio Incorporated	1,114	142	104	1,152
Verisign Incorporated	580	50	58	572
Williams-Sonoma Incorporated	-	419	-	419

**NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES**

(An umbrella unit trust established in Hong Kong)

**STATEMENTS OF MOVEMENTS IN INVESTMENT PORTFOLIO (unaudited)**

For the year ended 30 June 2024

	<b>NikkoAM Metaverse Theme Active ETF</b>			
	<b>01 July 2023</b>			<b>30 June 2024</b>
	<b>holdings</b>	<b>Additions</b>	<b>Disposals</b>	<b>holdings</b>
37 Interactive Entertainment Network Technology Group Company Limited	88,023	118,200	42,200	164,023
Accton Technology Corporation	28,000	-	-	28,000
Amazon.com Incorporated	4,040	-	-	4,040
Anycolor Incorporated	8,500	8,500	-	17,000
ASMPT Limited	-	18,200	-	18,200
Autodesk Incorporated	1,127	-	-	1,127
Bandai Namco Holdings Incorporated	15,600	-	-	15,600
Broadcom Incorporated	-	286	-	286
Capcom Company Limited	10,900	10,900	-	21,800
Com2uS Corporation	5,450	-	5,450	-
Dolby Laboratories Incorporated	4,471	-	4,471	-
Electronic Arts Incorporated	4,334	-	1,318	3,016
Gamania Digital Entertainment Company Limited	183,000	-	-	183,000
Ibiden Company Limited	8,000	-	-	8,000
Kadokawa Corporation	13,500	-	-	13,500
Keywords Studios Public Listed Company	17,540	3,362	20,902	-
Koei Tecmo Holdings Company Limited	18,140	-	18,140	-
Krafton Incorporated	1,653	816	-	2,469
Kuaishou Technology	-	75,300	-	75,300
LVMH Moet Hennessy Louis Vuitton SE	298	-	298	-
Mediatek Incorporated	16,000	-	3,000	13,000
Microsoft Corporation	4,793	-	1,046	3,747
Micro-Star International Company Limited	91,000	-	44,000	47,000
Naver Corporation	-	3,491	1,792	1,699
NetEase Incorporated	36,115	10,900	12,100	34,915
Nexon Company Limited	14,800	-	3,900	10,900
NextDC Limited	37,969	-	3,333	34,636
Nintendo Company Limited	9,100	-	2,100	7,000
Nvidia Corporation	2,550	14,805	1,514	15,841
Perfect World Company Limited	137,312	118,900	256,212	-
Powertech Technology Incorporated	93,000	-	42,000	51,000
Roblox Corporation	7,950	-	-	7,950
Rorze Corporation	4,700	-	600	4,100
Samsung Electronics Company Limited	3,376	-	-	3,376
Samsung Electronics Company Limited - GDR	322	-	-	322
Sea Limited	3,525	15,818	3,525	15,818
Sega Sammy Holdings Incorporated	17,400	-	-	17,400
Silergy Corporation	-	12,000	-	12,000
Singapore Telecommunications Limited	-	224,800	-	224,800
Sony Group Corporation	9,000	1,000	-	10,000
Square Enix Holdings Company Limited	7,700	-	7,700	-
Taiwan Semiconductor Manufacturing Company Limited	-	13,000	-	13,000
Taiwan Semiconductor Manufacturing Company Limited - SP ADR	7,045	-	-	7,045
TBS Holdings Incorporated	-	8,600	-	8,600
Tencent Holdings Limited	14,000	6,900	8,000	12,900
Toho Company Limited	9,100	1,700	-	10,800
Tsuburaya Fields Holdings Incorporated	-	32,700	-	32,700
Ubisoft Entertainment SA	13,459	-	-	13,459
Unity Software Incorporated	5,700	-	5,700	-

## NIKKO AM HONG KONG EXCHANGE TRADED FUNDS SERIES

(An umbrella unit trust established in Hong Kong)

### PERFORMANCE TABLE (unaudited)

For the period ended 30 June 2024

#### 1 Net asset value

##### Nikko AM Global Internet ETF

USD class	Net asset value US\$	Net asset value per unit US\$
2024	15,269,730	17.6121
2023	11,495,109	13.0330
2022	14,896,042	11.0587

##### NikkoAM Metaverse Theme Active ETF

USD class	Net asset value US\$	Net asset value per unit US\$
2024	21,582,448	12.5406
2023	18,476,411	10.6738
2022	15,963,204	9.5246

#### 2 Performance record since inception

##### Nikko AM Global Internet ETF

USD class	Highest issue price per unit US\$	Lowest redemption price per unit US\$
Financial year ended 30 June 2024	17.8186	12.5434
Financial year ended 30 June 2023	13.4625	8.7594
Financial year ended 30 June 2022	22.3085	10.3389
Financial year ended 30 June 2021	23.2007	15.7717
Financial period from 21 October 2019 (date of launch) to 30 June 2020	15.1642	11.2958

##### NikkoAM Metaverse Theme Active ETF

USD class	Highest issue price per unit US\$	Lowest redemption price per unit US\$
Financial year ended 30 June 2024	12.8009	9.4729
Financial year ended 30 June 2023	10.9804	7.9544
Financial year ended 30 June 2022	14.2757	9.5246
Financial period from 11 June 2020 (date of launch) to 30 June 2021	15.0175	9.9557

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